

State Employee Benefits Committee
Friday, February 19, 2016 at 2:00 p.m.
Tatnall Building, Room 112
Dover, Delaware

The State Employee Benefits Committee met on February 19, 2016, at the Tatnall Building, Room 112, Dover, Delaware. The following Committee members and guests were present:

Committee Members:

Ann Visalli, Director, OMB
Tom Cook, Finance
Geoff Klopp, COAD
Evelyn Nestlerode, AOC Designee
Kimberly Reinagel-Nietubicz, CGO Designee
Ken Simpler, OST
Jennifer Vaughn, DOI Designee
Crystal Webb, DHSS Designee

Angela Hua, Truven Consultant
Chris Hudson, Univ of DE
Andrew Kerber, DOJ
Omar Masood, OST
Gisela McKenzi, Univ of DE
Omar Masood, OST
Ashley Morris, Highmark
Jennifer Mossman, Highmark
Casey Oravez, OMB, Financial Operations
Lori Peddicord, City of Dover
Rich Phillips, DSEA-R
Karol Powers-Case, DRSPA
Rebecca Reichardt, OMB
Sheri Sack, Aflac
Carrie Schiavo, Delta Dental
Aaron Schrader, SBO
Ann Skeans, Retiree
David Taylor, DRSPA
James Testerman, DSEA-R
Debra Yoder, Aetna
Howard Atkinson, Segal Consulting
Stuart Wohl, Segal Consulting

Guests:

Brenda Lakeman, Director, SBO
Faith Rentz, Deputy Director, SBO
Lisa Porter, SBO
Tim Basher, Polytech School District
Lacy Brookin
Lisa Carmean, City of Milford
David Craik, Pension Office
Jessica Eisenbrey, OMB
Peg Eitl, Highmark
Karin Faulhaber, PHRST
Judy Grant, HMS
Darcell Griffith, Univ of DE

Introductions/Sign In

Director Visalli called the meeting to order at 2:05 p.m. Anyone who had public comment was invited to sign up and any others wishing to comment would be given the opportunity at the end of the meeting. Introductions were made.

Approval of Minutes - handout

Director Visalli requested a motion to approve the minutes from the February 5, 2016 SEBC meeting. Secretary Cook made the motion and Ms. Webb seconded the motion. Upon unanimous voice vote the minutes were approved.

Director's Report

Ms. Lakeman provided an update for the Program and Cost Integrity RFP as finalist interviews will be held on March 16th and a recommendation for award will be brought before the SEBC at the March 18th meeting. The consultant draft RFP was emailed February 18th to committee members for review. Comments and/or suggested changes to be submitted back to the Statewide Benefits Office (SBO) next week, then SBO plans to release RFP the following week. Ceridian (COBRA vendor) has sold their COBRA business to WageWorks. SBO has transitioned that contract to WageWorks and is working on transition to take place March 1st. This contract is in effect until December 31, 2018 and SBO will monitor performance and if any issues arise, opportunity exists to submit bid before end of contract. Truven, the data mining vendor for SBO since 2006, has an acquisition in place for IBM to take over Truven. The contract with Truven has just been extended for two years.

Financial Reporting

Fund & Equity – January 2016 - handout

Ms. Oravez presented the January 2016 Fund & Equity report. The Plan received a covered gap discount for \$4.68M and the ending balance in January is \$45.3M. The projected year-end balance for the claim liability is \$22.1M with \$0 in the reserve. The Health Fund Projection (provided quarterly) shows projected revenue expenses for each month and the lower chart shows comparison of actual projection and the original projection. The revenue projection went up 2% to \$14.3M due to a payment received in December for \$11.2M. Projected expenses went down 1% to \$6M. Discussion around the Fund & Equity report to include monthly performance, months versus budget, year to date actual and year to date budget all on one statement was discussed.

FY16 Q2 Financial Reporting - handout

Mr. Atkinson, Segal Consulting reviewed the key findings pointing out the \$7.85M for additional State Share (July-August) that was paid and the 10% additional Participating Groups' Risk charge that totaled \$1.736M with total surplus for the first six months of the year on an accrual basis is \$29.6M. Total premiums were \$359.9M which is a 15.1% increase over this point of time last year. Medical claims were at \$237.3M showing a 4% decrease over prior year. Prescription drug shows incurred claims of \$114.7M. Discussion occurred around the time increments of the data and trend line. Statistics were shared that show cost per member per various programs as well as graphs of ratio premiums to claims. Highmark PPO is the largest with 52.4% of the medical and prescription drug spend. Claims distributions were reviewed. An in-depth look at the decrease in claims and the differences will be discussed at the next meeting yet it appears high-cost claimants are under \$250,000 and prescription drugs are down.

FY17 Planning Discussion - handout

Ms. Lakeman continued the discussion from the last meeting covering the agenda items. Medical, prescription and both combined shows claims did decrease in FY16 Q2, significantly on the medical side. Compared to first quarter, there were less weeks of premiums paid which can have an impact but in general the total numbers were down. Prescription remained steady and with both combined, costs still show a decrease.

Per the Treasurer's request, a look further back for a best fit trend shows the medical trend at 3.9% from FY08 Q4 through FY16 Q2. The prescription side for same period is 7.8% and combined medical and prescription is 4.9%. To look further back for a period from FY04 through FY15, the average annual trend line is 6.0% for both medical and prescription. Mr. Wohl of Segal Consulting presented the Trend Projections and the three main sections of Facts and Data, Assumptions and Calculations. Discussion around how good has the forecast been and trends occurred. Ms. Lakeman continued with the FY17 Group Health Operating Budget Projections to show an anticipated deficit of \$19.4M to balance expenditures and revenue. The FY17 Governor's recommended budget (GRB) contribution of \$33.3M general funds equates to an all funds contribution of \$56.6M. There is a projected remaining \$22.9M deficit in the claim liability and a \$79M deficit in the reserve as of the beginning of FY17. Mr. Atkinson of Segal continued with a Claim Liability overview and analysis that illustrated how the claim liability should be adjusted for FY17 and increased from the current recommended amount of \$45M to a recommended amount \$48M. Ms. Lakeman stated that if the committee would adopt premium rates based upon the additional revenue recommended in the FY17 GRB (\$33.3M general funds/\$56.6M all funds), the projected FY17 health fund revenue would allow for the full replenishment of the remaining FY17 claim liability deficit of \$25.9M (based upon the new recommended claim liability of \$48M) and leave \$11.3M to be applied toward to the \$79M reserve deficit. The proposed FY17 premium rates were presented. Continued discussion on the prescription drug proposals and plan design changes to continue at the March 4th meeting.

Health Care Consumerism and FY2017 DelaWELL Health Management Program - handout

Director Visalli commented the Delaware Technical Community College magazine had an article about Aaron Schrader and his commitment to wellness. Mr. Schrader presented the Health Care Consumerism campaign. Focus areas include transparency by publishing and providing data on plan costs and disease and risk prevalence in easy to understand formats. Consumerism and education efforts will seek to streamline benefit information and offer a variety of tools and resources for members. The efforts will employ multiple modes of communication to include print, web, video, social media, in-person and on-line training.

The FY2017 DelaWELL program was presented with a look at past participation, past successes, lessons learned along with survey results from March 2014. The FY2016 strategy and current participation was presented. Ms. Lakeman asked the committee for ideas and suggestions for increasing engagement in the use of consumerism tools and wellness and disease management programs for consideration for FY17 and reiterated the past savings of \$16M in reduced hospital admissions was based on 3% of members that were in active disease management. Discussion on how to get members engaged, how to quantify wellness, what initiatives or strategies are available and what other states are doing will be researched and presented at future meetings.

Public Comment

None

Motions

None

Other Business

None

Director Visalli stated that SEBC would need to go into Executive Session and there would be no additional business for the committee after Executive Session. The next SEBC meeting is scheduled for Friday, March 4, 2016.

Director Visalli then asked for a motion to adjourn the public meeting and go into Executive Session. Secretary Cook made the motion and Treasurer Simpler seconded. Upon unanimous voice approval, the Committee moved into Executive Session at 3:58 p.m.

A motion to move out of Executive Session and return to public session was made at 4:08 p.m. with Mr. Klopp making the motion and Treasurer Simpler seconding the motion. The meeting was adjourned at 4:09 p.m.

Respectfully submitted,

Lisa Porter
Executive Secretary
Statewide Benefits Office